

Message Text

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ACTION NEA-16

INFO OCT-01 EUR-25 EA-11 ISO-00 DRC-01 AEC-11 AID-20

CEA-02 CIAE-00 CIEP-02 COME-00 DODE-00 EB-11 FPC-01

H-03 INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07

RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 FEA-02

/181 W

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R 070850Z JUN 74

FM AMEMBASSY DACCA

TO SECSTATE WASHDC 3293

INFO AMEMBASSY NEW DELHI

AMEMBASSY RANGOON

AMEMBASSY PARIS

AMEMBASSY SINGAPORE

AMEMBASSY LONDON

AMCONSUL CALCUTTA

AMEMBASSY TOKYO

LIMITED OFFICIAL USE DACCA 2584

E.O. 11652: N/A

TAGS: ENRG, BG

SUBJ: OIL EXPLORATION: LETTERS OF INTENT FINALLY SIGNED

REF: A. DACCA 2043 AND B. DACCA 2382 (NOTAL)

SUMMARY: LETTERS OF INTENT ON OFFSHORE OIL EXPLORATION SIGNED WITH ATLANTIC RICHFIELD AND ASHLAND, ALSO CANADIAN SUPERIOR. OTHER SIGNINGS IMMINENT, AND CONCLUSION FULL AGREEMENTS MAY FOLLOW SHORTLY. CRITICALLY FOREX-SHORT BANGLADESH NEEDS CONSIDERABLE AMOUNT WHICH SIGNATURE BONUSES WILL PROVIDE. GOVT. MAY SOON START NEGOTIATIONS ON ONSHORE AREAS. END SUMMARY.

1. AFTER SERIES OF DELAYS, BDG HAS FINALLY SIGNED A NUMBER OF
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LETTERS OF INTENT WITH OIL COMPANIES SEEKING TO EXPLORE OFFSHORE

BANGLADESH. ATLANTIC RICHFIELD/ARCO, ASHLAND, AND CANADIAN SUPERIOR HAVE LETTERS IN HAND. UNION OIL OF CALIFORNIA, JAPANESE PETROLEUM CORP., AND INA-NAFTAPLINE OF YUGOSLAVIA HAVE SOME RESERVATIONS BUT ARE EXPECTED TO SIGN SHORTLY. ROBINA MAY ALSO. AGIP HAS REAPPEARED AND DESPITE THEIR UNHAPPINESS ABOUT SIGNATURE BONUS MAY SIGN.

2. OFFSHORE AREAS ALLOCATED ARE REPORTED TO BE AS FOLLOWS: A BLOCK TOWARD INDIAN WATERS FOR ASHLAND; CENTRAL AREAS FOR ARCO OFF THE PATUAKHALI DISTRICT COAST AND FOR CANADIAN SUPERIOR TO SOUTH OF ARCO; AND ALONG CHITTAGONG DISTRICT COAST, FOR THE YUGOSLAVS TO THE NORTHEAST, THEN UNION, AND JAPANESE TO FARTHEST SOUTH. ROBINA SAID TO HAVE BEEN CONSIGNED TO AREA OF DEEPEST WATERS SOUTH OF CANADIAN SUPERIOR BUT HAS SUCCEEDED IN CARVING OFF FOR ITSELF SOUTHERN-MOST SECTION OFF CHITTAGONG DISTRICT COAST (TEKNAF AREA) WHICH PREVIOUSLY HAD BEEN GRANTED TO JAPANESE. LATTER, WHO HAD GREAT EXPECTATIONS FOLLOWING LATE ENTRY LAST YEAR, VERY DIS-APPOINTED RE SUBSEQUENT TREATMENT BY BDG.

3. AS INDICATED REF B, ACTIVITY ON THE PART OF VARIOUS APPLICANTS HAS BEEN INTENSIVE. BDG APPEARS TO HAVE HELD FIRM TO VERY TOUGH TERMS IT IS DEMANDING, BUT NONE OF MAJOR APPLICANTS HAVE PERMANENTLY DEPARTED, OUTSIDE OF OCCIDENTAL.

4. MOST OF OFFSHORE AREA NOW ALLOCATED, BUT UNTIL FINAL AGREEMENTS SIGNED, THERE MAY BE STILL PARTS THAT WILL BE GRANTED TO OTHER APPLICANTS. THE TREND AMONG THEM IS NOW TO MOVE LANDWARD AND TRY FOR ONSHORE ACREAGE. EASTERN PETROLEUM WILL PROBABLY SO TRY, AND ALSO CFP.

5. CONSENSUS IS THAT FINAL AGREEMENTS WILL BE SIGNED "WITHIN THE NEXT WEEK". PRESSURE IS ON MINISTRY AND CABINET SUBCOMMITTEE ON OIL EXPLORATION TO CONCLUDE AGREEMENTS SOONEST. ONE OF THE REASONS IS FACT THAT SIGNATURE BONUSES ARE NOT PASSED UNTIL AGREEMENTS ARE SIGNED; RATE IS ROUGHLY \$1 MILLION PER 1000 SQ. MILES, OR UPWARDS TO A TOTAL OF \$35 MILLION FOR A COUNTRY WHOSE FOREIGN EXCHANGE RESERVES HAVE SLIPPED DRASTICALLY. SIGNATURE BONUSES COULD ALMOST DOUBLE RESERVES.

6. ONE INDICATION OF PRESSURE ON BDG TO CONCLUDE AGREEMENTS QUICKLY IS OVER-RULING IN CABINET SUBCOMMITTEE BY MINISTERS OF LIMITED OFFICIAL USE

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FINANCE, LAW, INDUSTRIES AND NATURAL RESOURCES, OF MINISTER OF FOREIGN AFFAIRS. IN FINAL MEETING TO APPROVE GENERAL TERMS OF PRODUCTION-SHARING AGREEMENTS, LATTER PROPOSED STARTING AFRESH AND OPENING UP OFFSHORE AREAS FOR COMPETITIVE BIDDING. FOUR TO ONE VOTE AGAINST THIS PROPOSAL PROMPTLY ACCEPTED BY PRIME MINISTER, AND NEGOTIATIONS ON AGREEMENTS FOLLOWING UPON FILING OF LETTERS OF INTENT, NOW IN FULL SWING.
BOSTER

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